

DRAFT ONLY

BCF2010A - Maintain Inventory and Control Stock

Final content edit to be completed

Holmesglen welcomes all comments and advice.

Managing Agent: Training & Development Services,
Holmesglen Institute of TAFE

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The technical content of this module was written by Mark Kelly of Holmesglen Institute of TAFE.

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GPO Box 5347BB, MELBOURNE, Victoria, 3001, Australia

Telephone +61 3 9630 9800

Facsimile + 61 3 9630 9888

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What is this resource about?

Welcome to BCF2010A - Maintain Inventory and Control Stock. This resource will help you gain the skills and knowledge necessary to demonstrate competence in this unit.

What will you cover?

This resource is divided into three main sections.

- Stock control and inventory.
- Monitoring stock.
- Maintaining stock records.

What do you have to do?

To demonstrate competence in this unit you will be required to show the required level of skills and knowledge involved in:

- maintaining a controlled list of materials, equipment and accessories used in the production process
- recording changes in stock levels.

This unit of competency has the following elements and performance criteria.

| Element | Performance Criteria |
|--|---|
| Identify stock materials and equipment | <ul style="list-style-type: none"> ▪ System for controlling stock identified. ▪ Location for system of control and recording identified. ▪ Clerical/computer applications for maintaining records identified. ▪ Plant, equipment, tools and stock materials identified. |
| Maintain inventory/stock lists | <ul style="list-style-type: none"> ▪ Control of stock lists checked in accordance with company practice. ▪ Details of changes to inventory/stock lists entered in computer data entry, hard copies printed and filed. |
| Store and record stock | <ul style="list-style-type: none"> ▪ Plant, equipment, tools and stock materials stored/stacked in identifiable, measurable and accessible locations. ▪ Changes to levels of stock identified and maintained for each category of stock, listing item details and quantity. |
| Control stock | <ul style="list-style-type: none"> ▪ Stock lists maintained at central storage location to company requirements. ▪ Items used recorded on |

| | |
|--|--|
| | <p>stock lists.</p> <ul style="list-style-type: none">▪ Incoming items stored and recorded on stock list.▪ Low stocks noted and reported according to company practice. |
|--|--|

How will you be assessed?

Your trainer will decide with you how you will be assessed. Your assessment task should include accurately recording changes to stock lists for one of the following types of stock in your workplace.

- Materials.
- Equipment.
- Accessories.

This task should allow you to demonstrate all the performance criteria set out in this unit of competency.

This unit may be assessed in conjunction with other units of competence. Your trainer will tell you if you will be assessed this way.

Introduction

Inventory is often referred to as the graveyard of business because over investment in stock is a frequent cause of business failure.

Inventory can tie up a valuable business asset – cash. It takes time to convert inventory to cash and, while money is invested in raw materials, work in- progress or finished goods, there is less cash to meet daily operating commitments, for paying creditors or for other capital or expansion needs. Valuable opportunities can be missed simply because cash is tied up in stock.

In addition many business costs, such as:

- a storeman's wages
- storage costs
- insurance of the stock
- interest on borrowed money,

are directly related to investment in inventory. These costs, known as inventory carrying costs, are often accepted as an unavoidable business cost. But they can account for 20 to 30 per cent of every dollar invested in inventory. So, in addition to the cash tied up in inventory, as much as 30 per cent again could be tied up in carrying or holding it.

This is why it is important to control stock and inventory so that there is:

- enough to keep work flowing efficiently
- not too much so that money spent on the stock lies idle while it is not used.

In this module, you will learn how to manage stock and inventory in your workplace so that you can successfully balance costs and customer demand.

Stock control and inventories

An **inventory** is simply a list of all the goods purchased by a business that are used in the manufacturing process. Manufacturing businesses usually hold goods at three stages:

- raw materials – such as timber, adhesives, fasteners, paints, extruded aluminium
- work in progress – materials that have entered the manufacturing process but are not yet finished items, such as components for a window
- finished goods – items that have been through the manufacturing process and are ready for installation or re-sale to a customer, such as door accessories.

Not all businesses have all three types of goods on their stock lists. If your workplace only makes items to customer order, the bulk of inventory items will be in work in progress. A factory manufacturing for stock usually has most of its inventory in raw materials and finished goods.

Stock control is the way a workplace manages the flow of goods through the production process. Stock control is used to:

- reduce the costs of running the businesses
- reduce excess stock and wastage
- make sure there are enough goods to meet the demand
- speed up deliveries to customers.

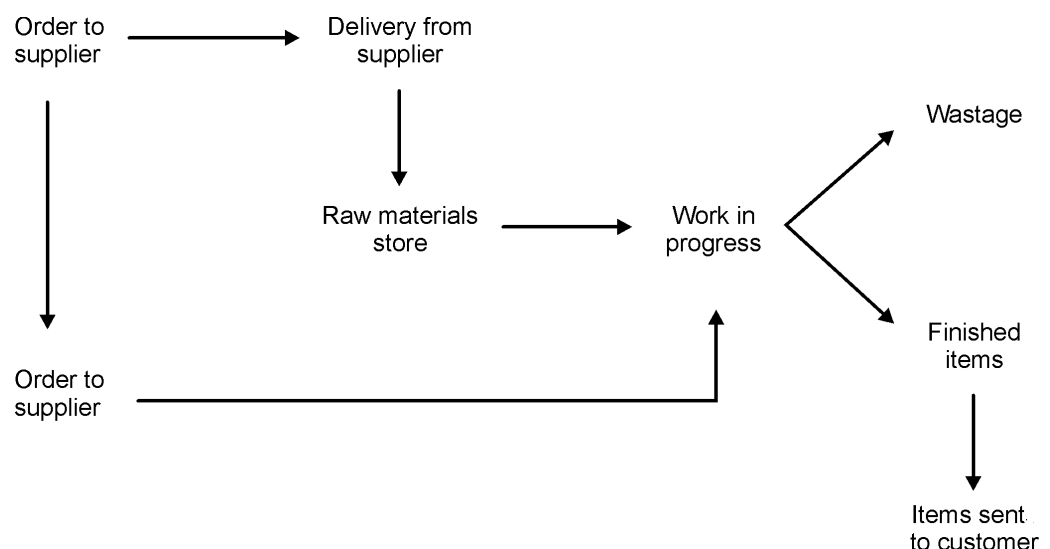
What items are recorded?

Your business may only record raw materials, such as aluminium or timber, as inventory items. However, other items you might use in the workplace more indirectly can be included on inventories for stock control purposes. These items can include:

- equipment, such as static machines
- tools, such as hammers and spanners
- packaging, such as bubble wrap or boxes
- spare parts, such as extra cutterblades for machines
- accessories, such as door handles
- other consumables, such as nails and screws.

How is stock used?

The following diagram shows how items of stock, like those listed above, move through a typical production process.



The flow of goods through the workplace

These steps don't always run in the same order, it depends on the job and its particular needs, but they are a general guide.

Let's look at each step in more detail.



| | |
|--------|---|
| 1 . | You receive an order from a customer to complete a job. |
| 2 . | You determine the items of stock required and check to see if you have those items in stock. If you don't, place an order for that item with your supplier. If it is a commonly used item, you should make sure you order enough stock for more jobs in the future. |
| 3 . | The item is then delivered by the supplier. |
| 4 . | You distribute urgently required items and place any unused items which have been delivered in the correct storage area. |
| 5 . | You can begin work on the job. |
| 6 . | You produce a finished product, according to job specifications or customer requirements. |
| 7 . | Any waste is either disposed of or placed in the correct area for recycling or reuse. |
| 8 . | Customers receive the finished product. |

By following these steps, you will be contributing to a well managed stock control system. By ensuring all of these steps are observed, you will also be helping to ensure workers are supplied with enough stock at the right time and jobs are being completed efficiently.

Activity 1

Make a list of some items of stock used and stored in your workplace.

Next to each item indicate whether it is:

- raw material
- work in progress
- a finished good.

| Item of stock | Type |
|---------------|---------------------|
| <i>Timber</i> | <i>Raw material</i> |
| | |
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How is stock controlled?

Successful stock control usually depends on accurate recording systems. These systems can be:

- paper based, such as hand written stock cards or sheets
- computer generated.

Regardless of the recording method used, all stock control records should contain:

- a description of the goods
- details of where the goods are stored or located
- the amount of goods currently held
- details about the movement of the stock, such as how often it is used and how much is used.

You can often use other information in your workplace to help complete your stock records. This information can be found in the following forms.

| | |
|-----------------------|--|
| Purchase requisitions | These are forms used to request that goods be ordered. Purchase requisitions will tell you when the last lot of stock was ordered and the time when it is likely to arrive. |
| Purchase orders | These are used to actually order the goods. |
| Delivery dockets | These can show which goods were delivered and how much was delivered. |
| Invoices | These are forms used to request payment. Invoices for stock received from suppliers can be a good way to keep extra records of what you have actually |

| | |
|--|--|
| | ordered as well as how much you have spent on stock. |
|--|--|



Paper based systems

Some of the typical ways of keeping a paper based system up to date involve the use of the following methods.

Job cards

Job cards are used as a means of keeping account of the amount of goods you have produced. From this, the amount of raw materials used can be calculated. This is done by:

- collating the job cards
- calculating the amount of raw materials that are used in the production of the goods.

By determining the amount of raw materials used in the past, you can predict future needs and determine how much more of each material might be needed.

For this method to work effectively, each product that is produced will have been carefully evaluated and a comprehensive list of the materials used produced.

| | | |
|---|---------------------|---------------------------|
| Job Name: | | Quantity Required: |
| Order Date: | / / | Process 1 |
| Required Date: | / / | Process 2 |
| Completed Date: | / / | Process 3 |
| Component Name | Date Started | Date Completed |
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| | | |
| From the information on this sheet stock can be controlled. | | |

Job card

Stock cards

Stock cards are used to monitor the amount of raw materials that are used. Usually, a stock card is attached to the stock itself or kept in the storage area that the stock is held in. As stock is taken or replenished, the details are recorded on the stock card.

- The stock card will have a minimum and maximum amount on it.
- When the stock reaches the low level or minimum level an order is placed for the difference between minimum and maximum.

When using this system, you need to consider:

- the time taken for delivery
- reliability of suppliers
- importance of the stock item.

All of this information will allow the company to calculate the amount of raw materials used over selected periods.

Sometimes, rush jobs or unusually large jobs may force you to change this system to suit the minimums and maximums you set. For example, you may have a job to build ten townhouses, when you would normally only build individual homes. This means you will need to temporarily increase your maximum and minimum stock in timber and nails, for example.

The following is an example of a stock control record you might find in your workplace.

| Item: | ABC Sealant | Maximum level: | 50 drums | |
|---------------------|-------------------------|------------------------------------|---------------------|---------|
| Description: | Straw coloured liquid | Minimum level: | 9 drums | |
| Location: | Drum store 1 | Re-order level: | 15 drums | |
| Date | Movement | In | Out | Balance |
| July 1 | Balance brought forward | | | 16 |
| 6 | Issue 10021.99 | | 5 | 11 |
| 8 | Delivery 235XYZ | 39 | | 50 |
| 13 | Issue 10022.99 | | 4 | 46 |
| 15 | Issue 10023.99 | | 7 | 39 |
| 21 | Issue 10024.99 | | 6 | 33 |
| 26 | Issue 10025.99 | | 3 | 30 |
| 31 | Stocktake | | – 1 (correction) | 29 |
| 31 | Reason for correction: | split drum spilled and disposed of | | |

Sample stock control record

Requisition books

Requisition books are sometimes completed by employees. The employee may be instructed to enter the raw materials needed in the requisition book as they notice that they are required. A duplicate of the requisition is then forwarded to the purchasing department.

Sometimes requisitions are completed at the end of each working day or set period of time. The person responsible for ordering will then collect the requisition book and produce orders from it.

This system works well if the employees are vigilant toward maintaining stock. On the other hand, if employees are careless, stock levels can

run out, causing disruption to the manufacturing process.

Delivery dockets

Delivery dockets are used to account for and record:

- inward goods
- outward goods.

A good way of checking to make sure the goods were actually received is to make sure delivery dockets are signed by the receiver and then sent to the accounts department for reconciliation with the invoice.

A delivery docket for goods despatched by you can also be used in a similar way. When the goods are delivered to the customer, the customer signs the delivery docket and it is returned to the accounts department so that the accounts department is sure the customer receives the goods before asking for payment.

By reconciling delivery dockets and invoices, you can also check raw material, making sure that you have enough stock to meet the upcoming needs of the company. Similar to the job cards, the goods delivered can be used to form a raw materials list to maintain stock levels.

Customer orders

Companies that only make goods to order will usually use the customer orders as a guide to how much raw material is required. This is a reasonably simple way of maintaining the amount of stock that is held by the company.

The system operates in the following way.

- As orders from customers are received, the person who is responsible for processing the orders creates a list of raw materials needed for that order.
- This list is then used to order the raw materials required.

When using this method, small goods or regularly used items, such as nails and screws, are not indicated in this ordering method as they will be required for many other jobs.

- The disadvantage of this system is that work cannot start on the customer order until the stock arrives.
- The advantage of this system is that you don't spend a lot of money on stock with the risk that you may not use it. You can even use customer leave deposits, so that you don't use company funds or pay interest on overdrafts, that is, a deposit left by a customer.

We will look at sample customer order forms, sometimes called purchase orders, later in this module.

Which system to use

How and which of these systems your company uses will depend on how the company operates.

- Companies that make goods to stock orders would use the stock card or requisition book methods to control stock and order raw materials.
- Companies that make goods only to order and keep a minimum of stock on hand would use the customer orders to decide how many and what type of raw materials they purchase.
- Companies that make goods to order, but hold enough stock to produce the goods required, would use the job cards or delivery dockets to decide how much raw materials to order to replenish their stocks.

Activity 2

Answer the following questions about paper based stock control.

1. _____
_____ can be checked against
invoices to control stock.

2. What is the main disadvantage of using
customer orders to generate stock orders?

3. Which stock control system operates on a
minimum/maximum basis. Circle the correct
response.

- (a) Delivery dockets.
- (b) Job cards.
- (c) Stock cards.

Discuss your answers with your trainer.

Physical stocktake

A physical stocktake will still need to be performed every so often, depending on the amount of goods produced. The stocktake is used to check and make sure physical levels of stock are at the same level as indicated by the records. Any differences can then be compensated for. The difference will usually be caused by:

- the need for rework
- stock losses
- errors in recording stock
- failure to follow stock control methods regularly.

Computer generated records

Many workplaces now use computers to help them to control their stock levels. Computers help to:

- eliminate extra paperwork
- centralise stock control
- generate orders automatically
- save time.

Computers can be used for stock control in many ways, including:

- entering stock data manually
- entering data with bar code readers
- scanning documents, such as invoices
- transferring data from one part of the computer to another for evaluation of materials and automatic ordering requirements
- transmitting data from one location to another quickly, such as from your workplace to the supplier.

Each of these functions can make stock control easier and quicker.

Many of today's basic software applications have templates for small businesses built into them. These can be used when your company doesn't have its own stock control stationery. Word processing and spreadsheet packages have a number of different templates that can be easily adapted to suit each workplace. All of the following information can be produced by computer.

- Invoices.
- Orders.
- Supplier lists.

| | | | | | | | | | | | |
|--|--|---|---|----------|-------------------|----------|--------|-----------------|---------|----------|-------|
| Bob's Timber Supplies P/L ACN 009 567 345 | | Invoice No 1 PRIVATE BAG 14C EASTERN MAIL CENTRE VIC 3999 Tel: (03) 9678 1234 Fax: (03) 9678 4321 | | | | | | | | | |
| Account No: 34567R | Sold to: Building Creations P/L PO Box 345B HIGHTOWN VIC 3900 | Deliver to: 432 High Street HIGHTOWN VIC 3900 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Delivery</td> <td style="text-align: center;">Cust. Order No.</td> </tr> <tr> <td style="text-align: center;">20/11/99</td> <td style="text-align: center;">PO3765</td> </tr> <tr> <td style="text-align: center;">Delivery Docket</td> <td style="text-align: center;">Carrier</td> </tr> <tr> <td style="text-align: center;">98761234</td> <td style="text-align: center;">Mac's</td> </tr> </table> | Delivery | Cust. Order No. | 20/11/99 | PO3765 | Delivery Docket | Carrier | 98761234 | Mac's |
| Delivery | Cust. Order No. | | | | | | | | | | |
| 20/11/99 | PO3765 | | | | | | | | | | |
| Delivery Docket | Carrier | | | | | | | | | | |
| 98761234 | Mac's | | | | | | | | | | |
| Item Code | Product Description | Quantity | UOM | Per | Price | | | | | | |
| JAR12 | JARRAH SELECT SAWN 125 X 75 | 52 | M3 | \$6.00 | \$312.00 | | | | | | |
| No claim recognised unless good returned within 5 days of delivery. Interest will be charged on all overdue accounts. | | | | | Total \$312.00 | | | | | | |

Sample Invoice

| SUPPLIER LIST | |
|--------------------------|---|
| Description | Supplier |
| A | |
| ABRASIVES | Will's Abrasives Scratch and Coat Abrasives Ricketts Ind. Supplies |
| ACETONE (Bulk) | Chemicals Australia P/L |
| ACRYLIC PRODUCTS | Mark's Plastics Advertising Industries |
| ADHESIVES | BSN Distributors P/L Polymer Coatings & Adhesives |
| ALUMINIUM | CanAL LAPRAC Aluminium Ltd Geo. Black & Co P/L Bob's Industrial Supplies |
| B | |
| BEADS (Corner & Arch) | Nick's Building Services P/L |
| C | |
| CARPET | The Carpet People The Carpet Joint Carpets R Us |
| CARVED TIMBER PRODUCTS | Decorative and Ornamental Finishes |
| D | |
| DAMP COURSE | Peter Lanks and Sons |
| E | |
| EDGING | Woody Woodworks P/L |
| ELECTRICAL SUPPLIES | Wazza's Electrical Supplies Spark's Electricals |
| F | |
| FLOOR TILES | Tiles Incorporated |

Sample supplier list

Data entry

There are also a number of computer software applications specifically designed for stock control.

The more advanced applications only require accurate data to be entered in the system and then the system can manage itself. The process should only require a regular stocktake to keep the recorded balance of goods up to date with the actual amounts of goods in stock.

As goods are ordered, an operator keys in the details of the goods required. For example, if a stonemason received an order to supply 5 bench tops 1800 mm long x 900 mm wide x 25 mm thick and 3 pillars 450 mm diameter x 3800 mm high all in bluestone, they can enter this data.

The computer application can then:

- check to see if the stock is on hand from the last balance
- produce an order for more stock, if required
- place an interim hold on the stock, so that it is not used or allocated for another order.
- produce a job card for the production of the goods
- produce working drawings for the manufacture of the goods
- produce delivery dockets
- produce an invoice for the goods.

This sophisticated method of stock control can save time and labour. However, you must be careful when entering data to make sure it is accurate, otherwise the system cannot work properly. If one error is made in entering the data all the documents produced by the package will be inaccurate.

Barcode systems

Barcodes can be used to help in this computer based control of stock. They can even eliminate the need for some data entry.

A barcode system for stock control that you will already be familiar with is found at the supermarket. When you purchase your cereal, milk, and bread, your purchases are scanned using:

- a bar code strip on the item
- a scanner to read the strip.



Barcode

The computer system counts all of the products that are scanned and can then calculate how many to re-order. The amount to re-order can be controlled by setting an upper limit or stop points into the computer. This will usually be done by someone responsible for stock control in your workplace. The limit will vary according to the amount usually used and the time the stock lasts.

This system can be used the same way in your workplace for all sorts of stock items, such as:

- boxes of nails
- loads of timber
- containers of adhesives
- paint
- boxes of fittings and accessories.

Barcodes are attached to all goods or groups of goods and can contain a whole range of information, such as:

- quantity

- price
- size
- type
- supplier name
- date of expiry, if applicable.

When a delivery of stock arrives, the bar code is scanned and the scanner, which is linked to a main computer, feeds information about what has arrived. This means existing stock totals are increased or decreased and the main records are altered.

All of this information can be used to help you control stock.

The barcode can also be used to track the progress of goods. This allows the office staff to keep up to date with the progress of goods in production. As goods are entered onto the system, the computer can allow for the use of stock materials and automatically calculate the needs for more raw materials.

These more advanced types of applications are normally reserved for larger companies because of the cost factor of setting up and maintaining the computer based system.

Scanning

A much more cost effective alternative to barcodes which is used by smaller companies is scanning. A scanner is a small and inexpensive piece of equipment which acts like a photocopier and can be used to copy a paper invoice or order and then transfer this copy to the computer for storage and easy access.

Some scanners even have text recognition, so that the information can be interpreted and processed by the computer automatically in a similar way to the barcode system.

This system would probably not be used alone to control stock maintenance but would be used for record keeping purposes only.



Activity 3

1. List some of the advantages of computer based stock control.

2. List two ways a computer based stock control system can be applied.

3. Circle True or False for the following statements.

Barcodes are a cheaper alternative to scanners. True/False

Barcodes must be on every item of stock. True/False

Data entry must be accurate in order for computer based stock control to work properly. True/False

Discuss your answers with your trainer.

Demonstration

If you use any of these computerised systems in your workplace get your trainer to show you how the system works.

Practice

Practice using a computerised stock control system under the supervision of your trainer.

Stock control without records

Detailed records of stock movements and levels may not always be necessary:

- in small businesses with low inventory levels
- where the owner or manager of the business personally looks after all stock control issues
- in businesses where raw materials do not sit in storage before they are used in the production process, such as those which deal with prefabricated or made-to-order products.

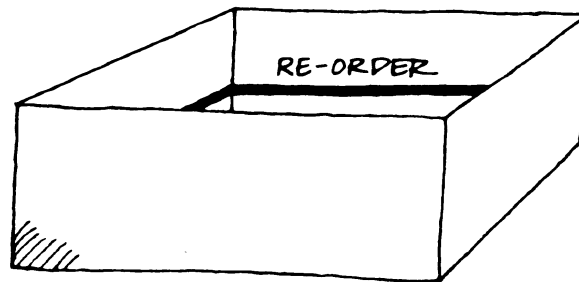
Imprest and bin systems

Single bin system

Bin systems can often replace formal stock control records as a way of keeping track of inventory.

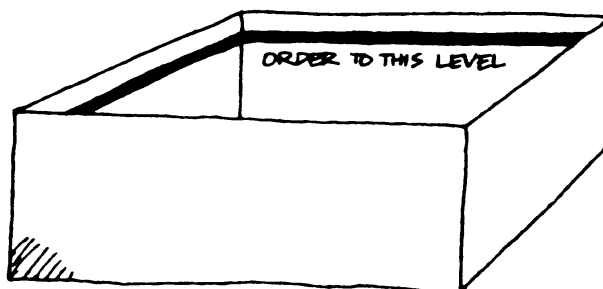
The bin system can be used on a small scale for materials, such as nails and screws, or on a large scale for components like door closers or jambs.

In the system a mark is made inside a bin. When the stock in the bin has fallen low enough for the mark to be seen the item is reordered in sufficient quantity to fill the bin.



Single bin system

There may also be a maximum level marked when using the bin system. This represents the maximum level to be ordered up to. At each periodic review, orders are placed to bring the stock up to this level.



Maximum level mark

Two bin system

The two bin system, as the name suggests, uses two containers. Separate quantities of each inventory item are held in each bin. All stock is drawn from one bin and an order is placed when the first bin is empty. Stock is then drawn from the second bin, which is the reserve, until ordered stock is delivered. This means you need to order enough stock to:

- replenish the first
- top up the second bin.

Three bin system

This system is an extension of the two-bin system. Bin 3 represents an emergency, or buffer stock, in case Bin 2 is emptied before the new supplies arrive. The third bin is usually sealed and locked away. If it is needed the manager must release it. This highlights the urgent need for more stock and the manager will make a decision about rushing an order or rationing the stock. This system is of little practical use for stock that deteriorates quickly unless rotation of bins is strictly observed.

Imprest systems

The imprest system is another simple way to control stock without formal records.

In an imprest system, an upper limit is set for inventory items in stock. At regular review periods, orders are placed to bring the inventory back up to this level. This level equals the quantity necessary to:

- provide supplies to cover delivery time
- maintain supplies to cover the review period.

For example, if delivery takes two weeks and a review is planned at the end of every four weeks the level is set at six weeks per supply. A disadvantage of this system is that the physical count is necessary at each review date.



Demonstration

Watch as your trainer or a colleague performs a physical stocktake of inventory.

Make sure you are shown how to:

- physically count stock
- check the result against records
- note down and adjust any differences.

Demonstration

Your trainer will demonstrate the paper based and/or computer based stock recording methods used in your workplace.

Make sure your trainer explains:

- where the records are kept
- what stock is recorded
- when the records are updated
- what information is recorded about each item
- who is responsible for keeping these records.



Activity 4

Answer the following questions after your trainer has shown you the stock records used in your workplace. Write down your response in the space provided.

1. How are stock records kept in your workplace?

2. Where are the stock records kept in your workplace?

3. What goods are included in the stock records?

4. When are the stock records updated?

5. What information do the records contain?



Stocktaking

Stocktaking is the process of actually counting the amount of materials and goods that the company has on hand. This process is required to help control the needs of the company in maintaining orderly production.

It works to the following formula:

Actual quantities on hand = quantities shown on the inventory records.

However, mistakes can occur right throughout the process of stock control and it means that this sum is not always accurate.

A physical stocktake needs to be conducted periodically. This means that, after a stocktake, the inventory records must be adjusted to reflect any difference between the physical inventory and what the records say is on hand. Unless this information is correct, your stock control system will not be effective.

Differences between the inventory records and actual inventory on hand can arise for a variety of reasons. One of the main cause of these differences is 'shrinkage'. This often means theft. To stop shrinkage from becoming a major problem, you should detect it as soon as possible. This is why a physical stocktake is so important.

Physical stocktakes are also important so that you can identify:

- discrepancies between what is ordered and what is received
- discrepancies between prices paid and value received
- patterns of usage.

Stocktakes are usually held at least twice a year, once before the end of the financial year, around June, and once halfway through the financial year, usually in January.



Monitoring stock

In the previous section you looked at the general production process and how stock is controlled throughout this sequence of events. You also know:

- where the stock records are kept in your workplace
- what information stock records usually contain
- what goods are included in the stock records
- when the records are updated.

In this section you will learn how to complete these stock records.

Stock records are usually completed during each stage of the production process:

- ordering and purchasing goods
- receiving goods from supplier
- issuing goods
- storing and despatching finished items or products.

To use a stock control you must be able to recognise and record information on the various types of forms used for monitoring stock levels.

Ordering materials


When ordering stock, an order form must be filled out completely and contain correct information. This form is usually provided by the supplier of the stock and you or they will complete it when you make the order. This order form can sometimes also be called a purchase order.

The materials required and the materials delivered must be the same. Any errors made when ordering may mean that materials are non-

returnable. This can cause expensive losses to the company. Usually, your suppliers will keep a copy of the order to check it when there is a discrepancy. You should do the same.

The following order form is an example of the type of form that could be used in your workplace.



1. 

Better Building Company

Main Road
NEWTOWN VIC 3999
Tel: (03) 1234 5678 Fax: (03) 8765 4321

PURCHASE ORDER

The following number must appear on all related correspondence, delivery dockets, and invoices:

P.O. NUMBER:

To:

Deliver To:

| | | | |
|------------|--------------|-------------|-------|
| ORDER DATE | REQUESTED BY | DELIVER VIA | TERMS |
| | | | |

| QTY | UNIT | DESCRIPTION | UNIT PRICE | TOTAL |
|-----|------|-------------|------------|-------|
| | | | | |

| | |
|---|---------------------|
| 1. Please send two copies of your invoice. | SUBTOTAL |
| 2. Enter this order in accordance with the prices, terms, delivery method, and specifications listed above. | SALES TAX |
| 3. Please notify us immediately if you are unable to deliver as specified. | DELIVERY & HANDLING |
| | OTHER |
| | TOTAL |

13. → Authorised by _____

Date _____

Purchase order

| Items on an order form | |
|------------------------|---|
| 1. | An order form must provide the name, address and telephone number of the company ordering the materials. |
| 2. | Each order should have its own unique order number so that it can be recognised and traced easily. |
| 3. | The order form must contain the name and address of the company or person that the order is for. |
| 4. | The order form should contain delivery details, such as location or special entrances. This is particularly important if you have more than one location for receiving deliveries. |
| 5. | The order form must contain the date your company ordered the materials. This is used to follow up the order if it is not received. It will also help you to inform your supplier, the company you are purchasing from, when you ordered the materials. |
| 6. | The order form should state the date you require the materials. This helps your supplier to plan and priorities. |
| 7. | The order form should have a 'delivery via' column. This is for information about who the company wants their materials delivered by, for example a particular courier company. |
| 8. | The order form should state the terms of payment that have been agreed to by your company and your supplier. |



| | |
|-----|--|
| 9. | The order form must clearly state the quantity of material required. |
| 10. | The order form must show the unit ordered. The unit shows how the quantity is sent, for example individually, by box or by the dozen. |
| 11. | <p>Most importantly the order form must have an area for the description of the goods required. This area should be as detailed as possible. If the supplier has code numbers or letters for their product then they should be included.</p> <p>The more specific information provided here, the better the chance of you getting exactly what you want.</p> |
| 12. | If your company has special instructions that are required for deliveries of orders then these should be included. Details might include special delivery times and days. |
| 13. | All orders must be signed by an authorised person and dated. |
| 14. | All orders need to display a sub total, sales tax, delivery and handling charges, as well as the total that you expect to pay. |

Receiving materials

Some time after the order has been placed the company will expect to receive the delivery. You should check:

- materials received against the delivery dockets at the time of delivery
- the delivery docket against the order that was placed by your company.

All of this information should be the same so that you:

- avoid paying for goods you didn't receive
- have enough stock.

Often, the delivery docket is a duplicate of the invoice which is the bill your company receives for the goods supplied. However, in most cases the area that contains the prices will have been changed. The delivery docket below is an example of the type of form that could be received with the goods you order.

1. 3. 4. 2.

| Bob's Timber Supplies Pty Ltd ACN 009 587 345 | | PRIVATE BAG 14C EASTERN MAIL CENTRE VIC 3999 Tel: (03) 9678 1234 Fax: (03) 9678 4321 | | | | | | | | | | | |
|--|--|--|---|-----------|---------------------|----------|--------|-----------------|---------|--------------------------------|-------|----|--|
| Account No: 34567R | Sold to: Building Creations Pty Ltd PO Box 345B HIGHTOWN VIC 3900 | Deliver to: 432 High Street HIGHTOWN VIC 3900 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Delivery</td> <td style="text-align: center;">Cust. Order No.</td> </tr> <tr> <td style="text-align: center;">20/11/99</td> <td style="text-align: center;">P03765</td> </tr> <tr> <td style="text-align: center;">Delivery Docket</td> <td style="text-align: center;">Carrier</td> </tr> <tr> <td style="text-align: center;">98761234</td> <td style="text-align: center;">Mac's</td> </tr> </table> | Delivery | Cust. Order No. | 20/11/99 | P03765 | Delivery Docket | Carrier | 98761234 | Mac's | | |
| Delivery | Cust. Order No. | | | | | | | | | | | | |
| 20/11/99 | P03765 | | | | | | | | | | | | |
| Delivery Docket | Carrier | | | | | | | | | | | | |
| 98761234 | Mac's | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Item Code</th> <th style="text-align: left;">Product Description</th> <th style="text-align: center;">Quantity</th> <th style="text-align: center;">UOM</th> <th style="text-align: center;">Volume</th> </tr> </thead> <tbody> <tr> <td>JAR12</td> <td>JARRAH SELECT SAWN 125 X 75</td> <td style="text-align: center;">52</td> <td style="text-align: center;">M3</td> <td></td> </tr> </tbody> </table> | | | | Item Code | Product Description | Quantity | UOM | Volume | JAR12 | JARRAH SELECT SAWN 125 X 75 | 52 | M3 | |
| Item Code | Product Description | Quantity | UOM | Volume | | | | | | | | | |
| JAR12 | JARRAH SELECT SAWN 125 X 75 | 52 | M3 | | | | | | | | | | |
| No claim recognised unless goods returned within 5 days of delivery. Interest will be charged on all overdue accounts. | | | | | | | | | | | | | |

5.

Delivery docket

| | |
|----|---|
| 1. | The area set aside for the receiver's information must be checked to make sure that you are not receiving materials not intended for you. |
| 2. | The quantity delivered must be checked against the actual material delivered for accuracy. |
| 3. | Description of materials. The actual goods delivered and the description of the materials must be checked, especially for correct colour, style and quality. |
| 4. | If you work for a company that has more than one delivery location, you should also check to make sure the materials are at the correct location. |
| 5. | If the delivery docket has any conditions printed on it that you do not understand, you should check with your supervisor before signing and accepting the order for the materials. |

The reason for checking the materials delivered against the delivery docket on arrival is to:

- make sure that the quantity ordered is the quantity delivered
- identify any shortfalls or mistakes made by the supplier
- make sure the correct
 - size
 - shape
 - colour
 - style
 - model is delivered.

The reason for checking the delivery docket against the order form is:

- to make sure that the materials received were the materials ordered
- to make sure the prices ordered at are the prices charged
- to check the quantities ordered were the quantity received and, if not, to inform the supplier and arrange extra delivery.

Many companies don't check the materials received. This can cause major problems in the control of stock numbers as well as financial problems.



Failure to check these things can cause:

- confusion
- extra cost
- wasted time.

Once this is done, it is also a good idea to check the delivery docket against the invoice, if it is separate, to make sure you are not being charged for goods you have not received.

Practice

Now practise storing and recording new stock in your workplace using the required procedures.

Storing and issuing materials with stock cards

Storing

After the order has been placed and the materials received, the materials must be recorded and stored. Depending on the system your company uses, the next process may vary.

Each workplace will have different methods of storage depending on:

- the size of the workplace
- the number of items to be stored
- the storage area
- the types of materials.

Good storage methods protect stock. More importantly, good storage will allow easy access and counting of stock. For example, stacking timber in lengths of ten will allow you to count bundles easily and recognise that new stock is needed quickly.

Demonstration

Ask your trainer to demonstrate the storage methods for stock in your workplace.

Make sure you are shown:

- storage locations
- storage methods
- quantities for storage
- any recording required.

Activity 4

Fill in the following table from the information you learnt in the last demonstration.

| Item to be stored | Location of storage | Amounts to be stored | Recording methods |
|-------------------|---------------------|----------------------|-------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Issuing

You have just learnt how to record and stock store items after delivery. It may also be necessary to record items as they are used or issued to workers, depending on procedures in your workplace. This might be required so that the company can keep track of items held by each person for security reasons, for example. When this happens, the amount of materials taken is recorded on the stock sheet and a new balance is created. This will keep records up to date.

The stock list below shows the addition and deletion of materials to the stock level. As goods come or go they are recorded, as shown.

| Item: | ABC Sealant | Maximum level: | | 50 drums |
|---------------------|-------------------------|------------------------|-----|----------|
| Description: | Straw coloured liquid | Minimum level: | | 9 drums |
| Location: | Drum store 1 | Re-order level: | | 15 drums |
| Date | Movement | In | Out | Balance |
| July 1 | Balance brought forward | | | 16 |
| 6 | Issue 10021.99 | | 5 | 11 |
| 8 | Delivery 235XYZ | 39 | | 50 |
| 13 | Issue 10022.99 | | 4 | 46 |
| 15 | Issue 10023.99 | | 7 | 39 |
| 21 | Issue 10024.99 | | 6 | 33 |
| 26 | Issue 10025.99 | | 3 | 30 |

Your workplace may have a different method for recording items used or issued.

Demonstration

Ask your trainer to show you the method used in your workplace for recording items of stock as they are used or issued.

Practice

Practise recording items as you issue them to colleagues in your workplace, using the method demonstrated by your trainer.

Monitoring stock levels

By recording when the item of stock comes 'in' or 'out' on a stock list, you can easily monitor and check when stock is required. The ways used to check when stock is low will depend on the method you have used, but will generally include:

- regular checks of stock figures
- a visual check of stock stored
- a count or stocktake.

Demonstration

Ask your trainer to show you how to monitor stock levels based on the recording system you use.

Practice

Now practise monitoring stock with a colleague using the method you learnt in the last demonstration.

Storing and issuing materials with the bin system

Storage and recording can still take place, even when formal records are not kept. Remember the bin system.

Storing

In a company that uses the bin system the materials that are delivered are simply added to

the bins to bring them up to the top level and production continues unhindered.

Issuing

Under the bin system the materials that have been placed in the bins are usually monitored using the following methods.

- Materials are picked up by a storeperson and delivered to the other workers in the company. When the storeperson notices the low level line appearing, they request further supplies through the purchasing department or order the materials immediately.
- Each worker in the company picks their own materials and, when the low level line appears, the person who uncovers it follows the same procedures of ordering new stock.

Storing and despatching finished product

Finally, it's time to store or send the finished product. After you have used raw materials to produce the products made in your workplace, they are also considered stock. You may keep an inventory of finished products as well as raw materials as stock, using the methods you have learnt. Finished products may be stored or stockpiled depending on customer demand, or it may be sent to customers. Whatever happens, you must record what you are doing.

Recording of the stored finished product is a reasonably simple process. The three most common ways to record the products that are stored are as follows.

- Keep a copy of the actual job card.
- Then, as the product is despatched, the job card can be processed for invoicing your customers.
- Keep a copy of the invoice.

This will make delivery easier and complete the recording process, as all of these details will be available:

- customer name and details
- supplier name and details
- company name and details
- cost to the customer
- quantities
- dates the product was sold or delivered.

Any excess products which are stockpiled should be marked and stacked together for easy identifications according to:

- type
- colour
- size.

Demonstration

Your trainer will explain the process of keeping stock records and marking stockpiled products at your workplace.

Activity 5

Draw a flowchart or diagram that shows how the stock records are maintained in your workplace. Make sure you clearly show:

- when the records are completed in the production process
- the additional documents used to complete the records.

Maintaining stock records

Now that you know about the different stock records and you have completed all of the details involved in a day to day stock control, it's time to bring these skills together to form accurate and centralised stock records.

It's important to use central stock lists and methods in the workplace so that everyone has equal access to this information. Main stock lists are usually kept in the office of large workplaces or by the supervisor in smaller workplaces.

Stock lists form an important part of this information. Stock lists show the stock used and the amounts available in the workplace. Sometimes they will have more information about invoices received and paid, for example.

These stock lists can be:

- computer based
- paper based,

as we already know. As stock represents part of an organisation's assets and therefore wealth, they can be used, not just for stock control but also for:

- budgets
- cost analysis
- taxation returns
- lending purposes.

So it's important that lists are maintained accurately. Your company will have its own policies relating to stock lists.

Demonstration

Ask your trainer to show you a typical stock list used in your workplace.

Make sure you are shown:

- what is on this list
- how to maintain it
- how company policies relate to the list
- where it is kept.

Practice

Now practise making adjustments to a stock list in your workplace.

You may be required to enter data:

- on paper
- by hand
- into a computer application.

Follow the steps you learnt in the last demonstration, making sure you:

- follow company policies
- print a hard copy, if necessary, and file the lists appropriately.

Summary

Now that you have completed this unit you should be able to identify the various methods for recording and monitoring stock in your workplace.

You understand that the more efficient the control of stock is, the less will be wasted or stored unnecessarily.

You understand that good stock control:

- saves time
- saves money
- makes sure the workplace is more efficient.

You can use paper based and computer based stock control methods to:

- record the movement of stock items
- maintain stock lists
- adjust levels to meet demand.

You should have a good understanding of how to record the movement of stock items, how to maintain and adjust stock lists and be able to recognise situations in your workplace that are going to have an effect on the production.

All of these skills and knowledge will help you to take responsibility for inventory and stock effectively, in your workplace.

Where to find more information

Texts

- Trenerry, A. 1999, *Principals of Internal Control*, University of New South Wales Press Ltd. Sydney, Australia.
- English, J.W. 1995, *How to Organise & Operate a Small Business*, Sixth Edition, Allen & Unwin Pty Ltd, Leonards, NSW, Australia.

- Edge, C.T. (1985). *Managing Business Cash Problems*, Gee & Co Ltd. London, England.

Web sites

Because web sites change very quickly it is often hard to provide a current address site that will give you valuable information. For information on inventory, stocktake and stock control, try the following key words:

- inventory
- stocktake
- stock control.

Video/audio cassettes

- Nursery record keeping (video recording).

Assessment

Your trainer will decide with you when you are ready to be assessed. You will be assessed while you are maintaining a controlled inventory of stock. Your trainer will decide with you how you will be assessed. Assessment may include:

- observing you as you work
- inspecting the final stock records
- asking questions about your work.

You may be assessed at various stages during the stock control process or at the completion of the task. Overall, you will need to demonstrate that you can:

- comply with your workplace's stock control policies and procedures including any quality assurance requirements
- accurately record the movement of stock items
- select and use the correct procedures to adjust stock records
- identify and report any critical situations that may affect the production process
- store and record all stock control activities according to the requirements of your workplace.

Your performance will be judged against the performance criteria set out in this unit of competency. The performance criteria for this unit are shown in the introduction of this learning resource.

